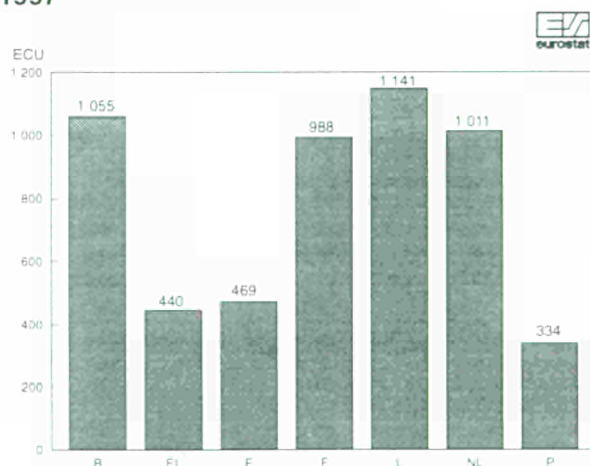


### MINIMUM WAGES IN THE EUROPEAN UNION 1997

*In general, in the European Union, private sector salaries are negotiated by the social partners by way of collective bargaining. In addition the possibility exists in some countries to apply a national minimum wage through legal means. At present, 7 Member States of the European Union apply such a national minimum wage: Belgium, Spain, Greece, France, Luxembourg, the Netherlands and Portugal. In both Ireland and the United Kingdom, governments are committed, as a priority, to the introduction of a minimum wage in the future. Countries analysed in this report are those where there is currently a national minimum wage.*

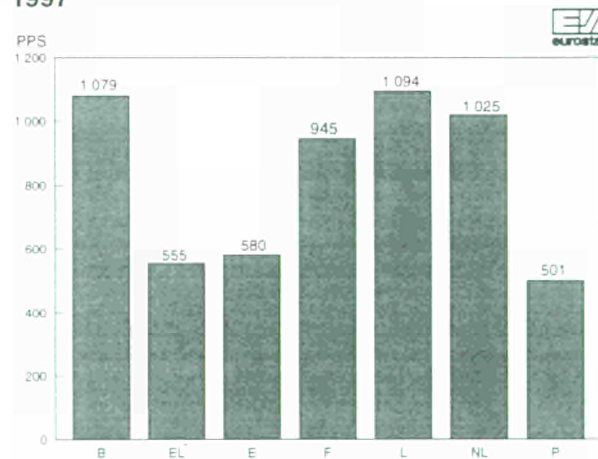
*In 1997 the level of minimum wages in the seven countries concerned varies from 334 ECU per month in Portugal to about 1 141 ECU in Luxembourg. With the exception of France and Luxembourg, where rates rose by over a quarter, the minimum wages remained relatively stable in real terms over the period 1980 to 1997, or fell slightly. In 1996, the earnings of those paid minimum wage rates ranged from 42% (Spain) to 59% (France, Portugal) of the earnings of manual workers in manufacturing industries.*

**Figure 1:**  
Monthly minimum wages in ECU  
1997



<sup>1</sup> Data are for non-manual workers.

**Figure 2:**  
Monthly minimum wages in PPS  
1997



*Data in figure 1 are expressed in ECU (European currency unit) to show differences in levels at exchange rate. Data in figure 2 are expressed in PPS (Purchasing power standard) to allow the elimination of differences in price levels between countries.*

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## Minimum wages: how is the level fixed?

Wage regulation mechanisms vary widely between countries as a consequence of differing labour market, socio-economic and institutional conditions. The level of earnings in the European Union is mostly determined by collective bargaining. In all the countries, there are collective agreements, which usually fix minimum wage levels for branches of industry, for occupational groups, for enterprises, etc.. In 7 Member states, apart from these collective agreements, a minimum threshold is fixed for all employees in the country with certain exceptions, which should be observed by all enterprises.

The way in which minimum wages are fixed is different from one country to other. In *Spain, France, Luxembourg, the Netherlands and Portugal*, a national minimum wage is fixed at an hourly, weekly or monthly rate by legislation, in most cases after consultation with the social partners, and this minimum is enforced by law. *Belgium* employs a similar system whereby a central agreement fixes an 'average minimum monthly income' which is regarded as applicable to all industries. In *Greece* a general minimum wage is agreed by negotiation at national level and a distinction is made between manual and non-manual workers.

The statutory minimum wage usually applies to all employees in the economy and all occupations, but may be modified to take into account age, length of service, skills, the physical and mental capabilities of the employee or the economic conditions affecting the firm. The laws governing such systems also contain mechanisms to review the minima, often as a result of tripartite bargaining between government, unions and employers, in the light of changes in prices, wages and other economic conditions. Sometimes the minimum wage is the subject of automatic re-assessment (for example it may be increased in line with the consumer price index or economic growth) or else it may be subject to discretionary increases (increased by legislation).

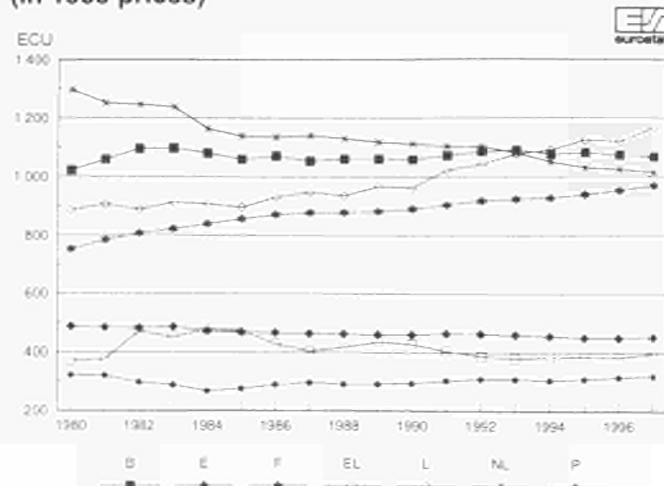
The table on page 3 summarises the different systems of national minimum wages in the European Union.

## Evolution of the statutory minimum wages (1980-1997)

### Minimum wages remain stable at constant prices

In 1997 the level of minimum wages, in the seven countries with a national minimum wage, varies from 334 ECU per month in Portugal to about 1 141 ECU in Luxembourg. In general, the differences between systems, in terms of scope, working time, composition, definitions and so forth are so wide as to preclude meaningful analysis and so no direct comparison can be made between countries. However, the development over time of average minimum monthly wages in ECU at constant 1995 prices in these 7 countries can be compared and is given in the figure 3. It shows that the level of minimum wages in real terms remained relatively stable, or fell slightly, over the period 1980 to 1997, except in France and Luxembourg where it rose by over a quarter. Figures for Greece relate to minimum wages of non-manual workers.

**Figure 3:**  
Evolution of annual average minimum wage  
(in 1995 prices)

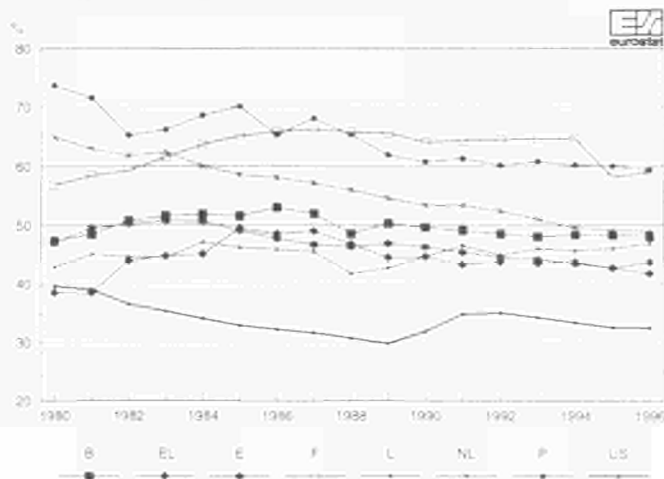


### Minimum wage represents between 42% and 59% of the average salary

Another way of assessing how the value of minimum wages has changed over time is to compare them with the growth in average earnings. The figure 4 shows the changes between 1980 and 1996 on minimum monthly wages as a proportion of the gross earnings of a single male manual worker in manufacturing industry with an average salary. This graph also shows the situation in the United States where a minimum wage is fixed as an hourly rate.

The gap between the earnings of those paid at minimum wage rates and those of a male single worker in industry on average earnings diminished slightly over the period in Belgium, France, Luxembourg and widened slightly in the other four countries. The most extreme case was in the Netherlands where the proportion of minimum wages to average earnings fell from 65 % in 1980 to 49% in 1996. In 1996 the highest rate was 59 % in France and Portugal and the lowest 42% in Spain. In the United States the corresponding figure is 34%.

**Figure 4**  
Minimum monthly wages as a proportion of  
average earnings<sup>1</sup>



<sup>1</sup> Single male manual workers in manufacturing industry

## Summary of statutory national minimum wages in the European Union



	B	EL	E	F	L	NL	P
Date of introduction in current form	1975	1991	1980	1970	1973	1969	1974
Coverage	Private sector employees aged 21 or over	All employees aged 19 or over for non-manual workers 18 or over for manual workers	All employees aged 18 or over	All employees aged 18 or over	All employees aged 18 or over	All employees aged 23 or over	All employees aged 18 or over
Method of fixing	Negotiation by social partners	Annual negotiation by social partners	Set by government	Set by government	Set by government	Set by government	Set by government
Method of updating	i. automatic indexation ii. periodic review	Annually according to government forecasts of inflation	Annually according to government forecasts of inflation	i. automatic indexation ii. annual review	i. automatic indexation ii. periodic review	Twice annually	Annually according to government forecasts of inflation
Type of rate	Monthly	Monthly for non-manual workers; daily for manual workers;	Monthly and daily	Hourly	Monthly	Weekly	Monthly
Present level in national currency <sup>1</sup>	BEF 43 343 per month	GRD 138 316 per month GRD 6 195 per day	ESP 66 630 per month ESP 2 221 per day	FRF 39,43 per hour	LUF 46 275 per month	NLG 517,80 per week	PTE 56 700 per month
In force since	1.10.97	1.07.97	1.01.97	1.07.97	1.02.97	1.07.97	1.01.97

<sup>1</sup> Data presented in figures 1, 2, 3 and 4 have been adjusted to take into account annual supplementary pay (for example 13th and 14th months).

Source: National Agencies

A Eurostat report entitled *"Minimum Wages, 1997, A comparative study"*, to be published shortly provides background information on basic levels of remuneration for employees in the European Union (EU) and European Free Trade Association (EFTA) countries as well as in the United States, Canada and Japan. It outlines the legal framework for minimum wages, the ways in which they are set, their scope of application, the means of enforcing them and their current levels. It also provides, when available, some information on the numbers of employees earning minimum rates of pay.

The minimum wages which are examined are those which are either fixed directly by government or are otherwise legally enforceable. The study is not intended to include the full range of agreements arrived at between employers and employees but rather to give an overall account of the situation. The position concerning minimum wages is given on a country-by-country basis. The main emphasis is on the current situation in each country, but some attempt is also made to summarise the historical processes involved.

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